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OCTOBER 2, 1989
A Cahners publication serving the total foodservice industry

®RESTAURANTS & INSTITUTIONS

GRILLED VEGETABLE SANDWICH FROM THE AMERICAN CAFE

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OCT. 2, 1989

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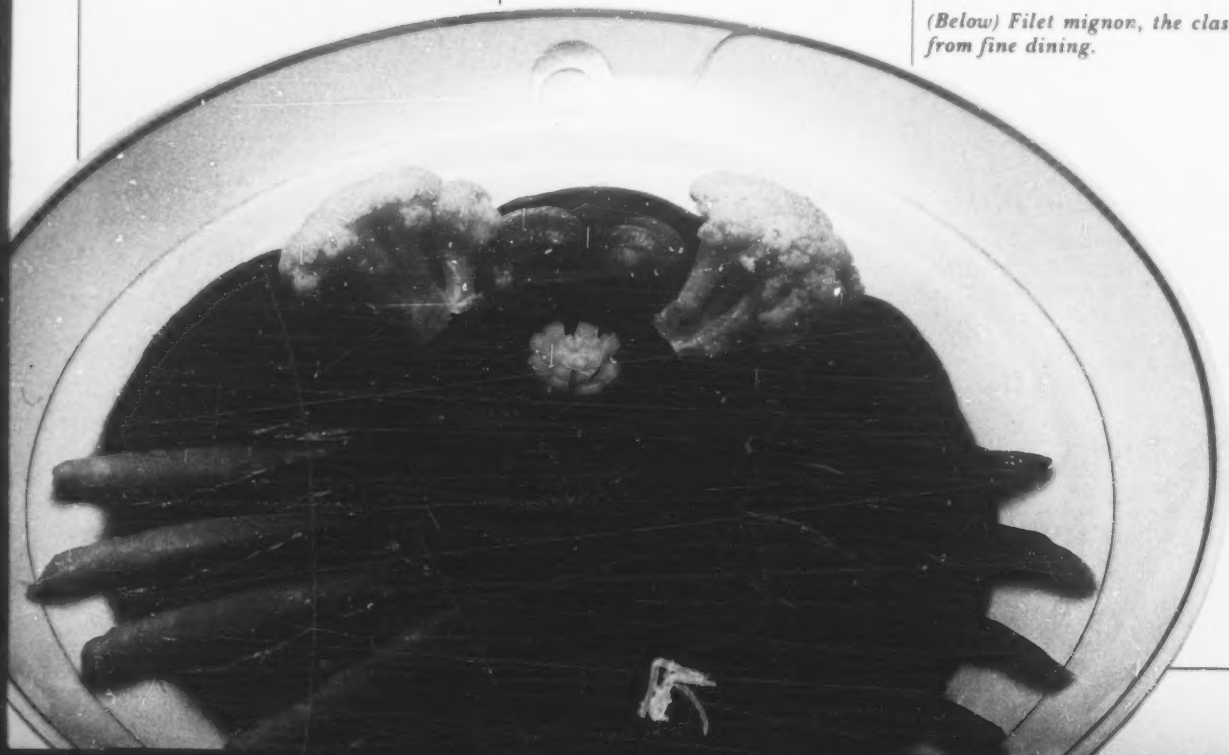
Foodservice Energy News, a service of the American Gas Association, follows page 130.

(Below) Filet mignon, the classic steak from fine dining.



R&I FORUM

TRIVIAL PURSUITS?

In response to the Viewpoint column "Trivialities and Pepper Grains," (July 24, p. 12), C. Peter Wagner, Ph.D., is not alone in his irritation with loaded pepper shakers that are virtually impossible to shake. I am in the restaurant business and like my friend Jim Nassikas, am constantly waging war over such "monumental trivialities."

Thank you for your stance on this critical issue. Now that I stand shoulder to shoulder with Dr. Wagner and Jim, my managers may now start believing that I am not just another nut.

Chuck Muer, C.A. Muer Corp.

■ **LETTERS**

On Sweat Equity

With one exception, the article by Jeff Weinstein, "Making Sweat Equity Pay Off," (Aug. 21, p. 20) is one of the best that I have read.

The exception lies in the statement, "Buyers are looking for conversions rather than new sites." Unfortunately, too many buyers still look for closed restaurants or sites to be converted because they don't want to pay for someone else's "goodwill." In fact, because of the cost to convert as well as the prospect of new (shorter term and higher priced) leases, it is often better to buy an existing restaurant.

I have been active in the foodservice field for many years and it seems that *R&I* and its predecessor have always been an important part of my professional life. Keep up the good work.

John Seidl, Business Sales Consultants Inc., White Plains, N.Y.

Safety Overlooked

The article "Safety Saves Bottom-Line Dollars in Food Operations" (Aug. 7, p. 26) was all well and good. As a former restaurant owner and employee, I am well aware of the need for "consciousness raising" for employees.

However, what about the employees (and I've seen too many) who simply don't seem to care? I worked for two years in an upscale restaurant where floors, despite being a safety-type tile, were treacherous to the extreme. The grease had been allowed to fill the tiles so the surfaces were slick, and when wet, like a sheet of ice. I have a permanent facial injury from that one. More examples are easy to recall.

I was there last week, and another employee had a fall. I had expressed concern to management many times, but they failed to make changes.

Gloria Morrison, Gillette, Wyo.

NACUFS Conference

I would like to express my sincere appreciation to you and your magazine for your generosity to the National Association of College and University Food Services by not only being a sustaining member of our organization, but also your generous sponsorship at our recent annual conference meeting.

It is your generous support of this organization that enables us to hold conferences with such excellent program content, as well as to stimulate our minds through social activities.

We are extremely pleased to have you as a member and are very thankful that you chose to be a sponsor.

Lloyd Smith, director of food services, Texas A&M University; president, NACUFS Region VII

'400' Corrections

In the *R&I* "400": Part I (July 10, 1989), the table headed "Top 20 Growth Companies: by Percentage of Sales Gain" (p. 158) contains an omission. The table's second line should read, "Everything Yogurt, 100% sales growth, 11.7% unit growth, Franchisor." Remaining statistics should drop down one line: For example, line six should read, "TCBY, 73.3% sales growth, 42.9% unit growth, franchisor."

Also in that issue, the home office of Unicare Health Facilities Purchasing Services was misidentified. The company is based in Milwaukee. The article also should have specified that Health Care & Retirement Corp. is a joint venture partner of UHF.

In the *R&I* "400": Part II (July 24, 1989), the photo on p. 19 shows Hardee's grilled chicken sandwich. The Mexican combination platter on p. 65 is from Casa Bonita; the quesadillas on p. 70 are from El Chico. The steamed vegetables on p. 128 come from Red Robin Restaurants. And the captions on pages 120 and 122 should be reversed: The first picture shows a dinner at Ruth's Chris Steak House; the second photo comes from Bobby Rubino's Place for Ribs.

ATTENTION, OPERATORS: *R&I* Forum represents the view of the contributors, but not necessarily those of the magazine. We welcome your comments and responses. Address letters to: The Editor, *Restaurants & Institutions*, 1350 E. Touhy Ave., Des Plaines, Ill. 60018.

TAKE NOTE: In the Sept. 4 *R&I* Scene's lead story (p. 45), Paul Prudhomme's partner at K-Paul's Louisiana Kitchen, New York, should have been identified as Michael Weinstein, Ark Restaurant Corp., New York City. **R&I**

■ LABOR

Operators Work to Bring Absenteeism Under Control

Some think discipline works best, while others rely on incentive programs.

> **66**
>
> **The older generation would jump at the chance for some extra hours to make more money. The new generation, when asked about overtime, would say, 'No. But I'm glad you brought it up because I want an extra day off.'**
>
> **—Fast-food personnel executive**
>
> **99**

When Foodservice Director Barbara Hayward joined the foodservice department at Lutheran General Hospital in suburban Chicago a little over a year ago, hourly workers were allowed 12 tardies and 12 absences a year before being documented as having an absenteeism problem.

"I immediately asked why the plan was so lenient and was told it was because of the 'type' of people who work in the department," says Hayward. "In my book, that is crazy because people are no different here than anywhere else."

Within a few months, Hayward changed the policy, cutting in half the number of tardies and absences allowed. After seven violations, disciplinary action begins. A three-day suspension is invoked after a third warning.

"Workers with good attendance records really appreciate the new policy because the others are no longer able to take advantage of a forgiving policy," says Hayward. "It has cleared up a big problem."

While a strict policy works for Hayward, one personnel executive for a leading fast-food chain believes that a degree of tolerance is just as important.

"The tough part is that while someone fails to show up Friday night, you still need them on Monday morning," he says. "You have to be more tolerant than you'd like."

He thinks human resource managers should try to meet the challenge by appealing to workers' sense of pride and professionalism.

"We need to be more of a coach and give workers more of a reason to be on time," he says. "Also, show some appreciation when employees are on time instead of taking such a simple task for granted."

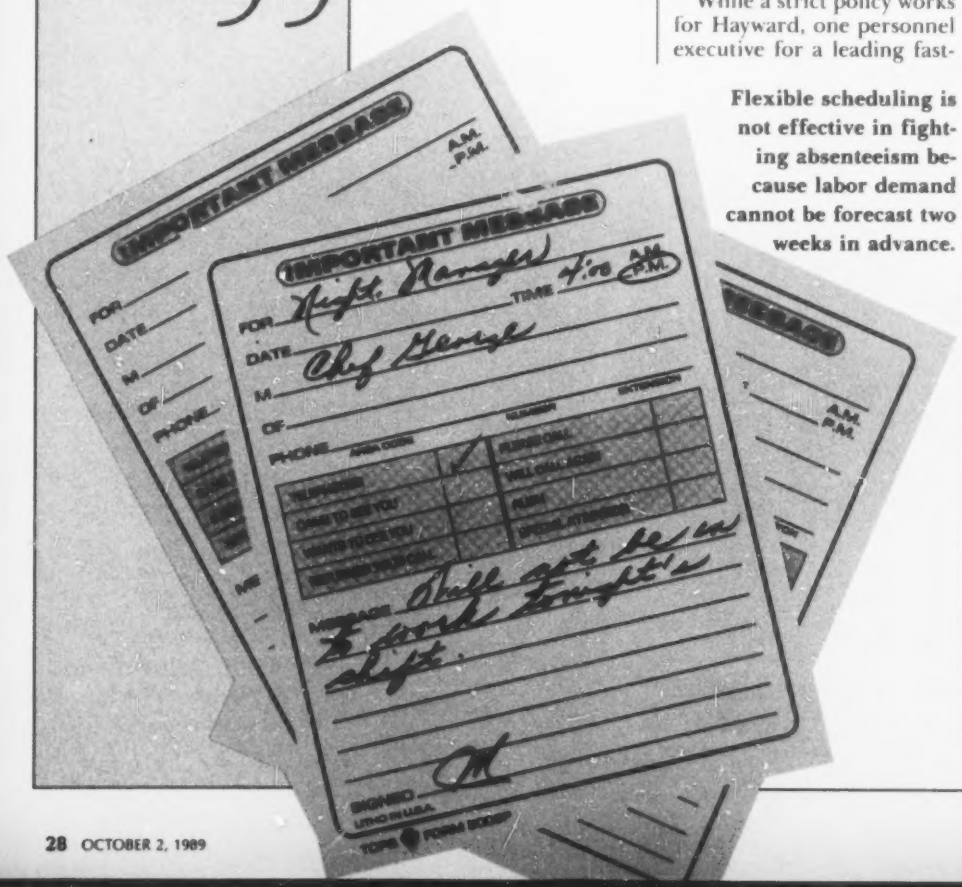
Other personnel experts agree with the idea of providing positive reinforcement, including rewards for arriving on time.

"When you start rewarding people for making a positive contribution, I like the statement it makes about the company and its culture," says Pat Farrell, a personnel director for Pizza Hut. "When we think about how we want to manage and improve our culture, that idea has a lot of appeal."

Farrell is considering implementing a system where employees can accumulate points based on attendance records. In turn, the points can be cashed in for prizes.

Doug Higdon, vice president of personnel for Jerrico Inc., is trying to sell a plan that would reward workers with one day's additional pay for every two sick days not used.

Another human resource executive envisions a reward



Flexible scheduling is not effective in fighting absenteeism because labor demand cannot be forecast two weeks in advance.

system that allows employees with good attendance records to choose the number of hours a week they want to work. If they want five or 10 extra hours a week, or an extra day off, scheduling would be adjusted to accommodate them.

What all these bonus plans have in common, however, is the fact that they are just that—plans. None of the executives interviewed have actually implemented a reward system.

"We haven't implemented a plan because it's an administrative burden," says Farrell. "With a lean staff, you ask yourself if this is your highest priority. And it is not."

Hayward, on the other hand, does not believe in incentives.

"The reward is having a good job and benefits in an atmosphere where employees are treated fairly and with respect," she says. "As employers, we shouldn't have to pat workers on the back for showing up to work on time."

While most proposed solutions apply to part-time and nonexempt employees, it must be noted that full-time staff members contribute to the problem as well, especially women who shoulder a majority of the family responsibilities.

The National Center for Health Statistics reports that women are absent one more day a year than men—5.5 days versus 4.3 days. The U.S. Department of Labor reports that women have a higher incidence of absenteeism during their childbearing years.

Logically, companies that provide child-care assistance are likely to cut into women's absenteeism rate. But the Bureau of Labor Statistics estimates that only 11% of employers offer direct child-care benefits.

Also, the form of child care a family uses affects absenteeism rates. A health maintenance organization did a study, based on the medical records of 1,400 children younger than 3½, that found the healthiest kids were those cared for in their own homes.

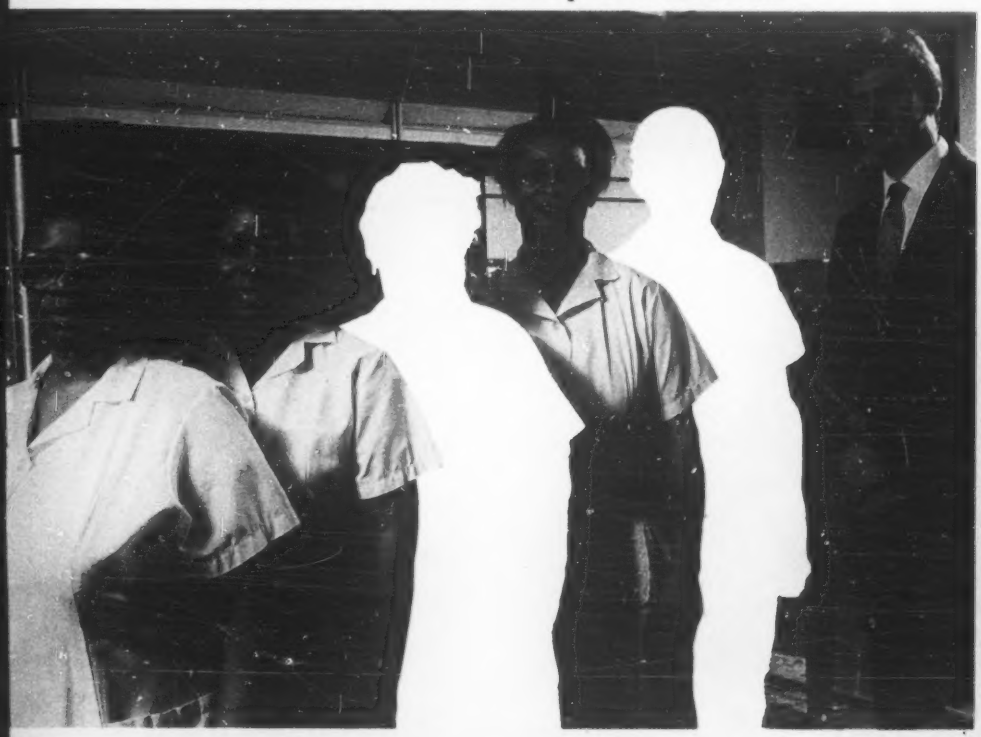
The study concludes that employers have a financial interest in how children of employees are cared for.

There is hope, however, for tackling absenteeism problems that create a 5% to 8% loss in worker hours.

"As we get more of a handle on the turnover problem and investigate the causes, tackling absenteeism could become the next wave of involvement," says Farrell. "We must realize that one of the causes of turnover is absenteeism."

—Jeff Weinstein

Wait staffs, not kitchen staffs, are more prone to absenteeism.



CURBING ABSENTEEISM

What measures, if any, is your company taking to control excessive absenteeism?

Disciplinary measures or penalties	52%
Incentives or rewards	7
Combination	41

If using incentives or rewards, which types are used at your company?

Cash	39%
Recognition awards	39
Bonus days	14
Prizes	4
Other	4

If your company uses incentives, have they been significant in reducing turnover?

Somewhat effective	66%
Very effective	22
Not at all effective	12

Source: Uniform Temporary Services, "Absenteeism in the Workplace," 1986.

R&I EXCLUSIVE

GROWTH COMPANIES

HOT PROSPECTS

R&I presents 30 companies under $60 million in sales that should outpace the competition in the coming year.

By Lisa Bertagnoli and Brian Quinton

Keep it under control. That's the growth philosophy for *R&I*'s 1989 crop of Growth Companies: Keep it controlled, consistent and, very often, company-owned. Not for years have so many companies on the list been so indifferent to franchising. Some refuse to do it; others let franchisees come to them and screen them carefully. Many of these success stories in the making would agree with Ruben Villavicencio, founder and president of Millie's Country Kitchen, who says, "I don't want to be the biggest chain; I want to be among the best managed."

Good-quality food and a variety of it will be key to their success. "We have to be eclectic in order to survive," says Mitchell Boyd, chairman of Shoney's Inc. and founder of Pargo's, whose menu choices range from Mucho Nachos to classic prime rib. Peter Scaccia, new owner of Mrs. Powell's Cinnamon Rolls, transformed the bakery into a soup, salad and sandwich haven. "The days of the single-item concept are numbered," he predicts.

ALLIE'S

1988 Sales: $12MM **1988 Units: 15**

Allie's is the new kid on the restaurant block, and if parent company Marriott has its way, it will become the big kid, too, in record time. Named for Alice Sheets Marriott, mother of J.W. Marriott Jr., Orlando-based Allie's expects to have 445 units in operation by the end of next year and projects as many as 3,000 open by 1995. Initial growth will come from converting the 227 properties acquired in recent months from Wag's, Howard Johnson, Jolly Roger and Bickford's Family Fare.

After testing 14 units in San Diego last year, Marriott unveiled the first Florida Allie's in Orlando last February and followed up with two more in the same area in June and July. Florida is slated for the chain's first major expansion drive because its demographics are so well-suited to family dining. By the end of this year, 70 Florida Allie's will be open or under construction.

The Allie's menu is built around a number of different centers. Customers can order comfort classics such as "Better-Than-Mom's Meat Loaf" for $5.99 or chicken-fried steak for $6.39. Or they can opt for the salad or food bars ($5.49 and $3.99). But Allie's also offers contemporary and ethnic dishes diners might not expect to find in a family-dining operation. These include a platter of four steak or chicken fajitas for $6.99 (also available as fajita salad for $5.25); steak *pizzaiola* with mush-

RESTAURANTS & INSTITUTIONS

1989 GROWTH COMPANIES

ALLIE'S

THE AMERICAN CAFE

BREADEAUX PISA

CAFFE CLASSICO

CASEY'S GENERAL STORE

CREATIVE RESTAURANT MANAGEMENT

DRUSILLA SEAFOOD CAFE

EATERIES INC.

ED DEBEVIC'S

EDWARDO'S NATURAL PIZZA

GRADY'S GOODTIMES

GREAT STEAK AND FRY

JOHNNY ROCKETS

MILLIE'S COUNTRY KITCHEN

MRS. POWELL'S CINNAMON ROLLS

OLGA'S KITCHEN

OTTOMANELLI'S

PARGO'S

PERKITS YOGURT

SILVER SPOON

SKYLINE CHILI

SUBIK'S SUBS

SOUP EXCHANGE

WARBURTON'S

WAWA

STAGING A COMEBACK

ARCTIC CIRCLE

BRIDGEMAN'S

NATHAN'S FAMOUS HOT DOGS

SCHLOTZSKY'S

TRADITIONS

GROWTH COMPANIES

Allie's sent Marriott on a real-estate buying spree: Recent acquisitions Wag's and Bickfords will be converted to the new concept.

rooms, marinara sauce and side of pasta for $5.95; and Baja Chicken (chicken breast in salsa with cheese, green onions, chilies and guacamole) for $6.99.

Breakfasts are available all day long, as is Allie's children's menu; and a special dinner menu is available to seniors after 11 a.m. Price points are $4 at breakfast and $3 to $7 at lunch and dinner.

THE AMERICAN CAFE

1988 Sales: $30MM **1988 Units: 12**

The American Cafe, which in June opened its 13th full-service restaurant in the Washington, D.C., area, plans to move outside that market next year via its first franchise offering.

The company, a division of W.R. Grace, plans to sign deals for at least two franchised restaurants on the East Coast next year (targeted cities include New York, Philadelphia, and Raleigh-Durham, N.C.) and an additional five in 1991, says President Greg Carey. Plans also call for 20 more company restaurants to open during the next five years: The company will reserve Baltimore and other markets close to Washington for those units.

The restaurants feature regional American food with a healthful slant—nothing is deep-fried, notes Carey. "We're different than your average fern bar," he says, adding that alcohol accounts for only 16% of sales. Most hot dishes are prepared using the *sous vide* method at a commissary in Laurel, Md., and sent to the restaurants daily. Under the name Grace Culinary Systems, the commissary also supplies food to area restaurants and hotels.

Best sellers at the restaurants include soups, such as cream of chicken, corn and crab, and seafood bisque, priced at $2.50 for a cup and $3.95 for a bowl. Popular entrees include sausage lasagna with basil-tomato sauce ($7.95) and lobster and scallop pie ($8.95). Checks average $8.50 at lunch and $10.25 at dinner. Takeout accounts for 22% of sales in the 11 restaurants that offer the service.

The franchise fee for The American Cafe is $45,000 for the first restaurant and $35,000 for each additional restaurant. Royalties are 4%, plus another .5% for advertising. Food costs run 33% to 34% of sales, and labor, 17% to 22%.

BREADEAUX PISA

1988 Sales: $30MM **1988 Units: 100**

During the last five years, Breadeaux Pisa has grown from a one-store operation in Creston, Iowa, to a 100-unit company with restaurants in Nebraska, Missouri, Kansas and Iowa. Founder Jim Larkin thinks he can continue that pace: His expansion plans call for 70 Breadeaux restaurant to open within the next 12 months.

Breadeaux features French-style pizza, which is built on a light, bready crust. Larkin, who also operates seven Casey's convenience stores, developed the recipe for that Des Moines, Iowa-based company. Casey's, which is currently rolling out its own pizza, rejected Larkin's recipe, a move prompted him to start another company.

The pizza is priced two-for-one: $5.95 buys two small cheese pizzas with one topping, and $12.95 buys two large pizzas. The Breadeaux special, topped with beef, pork and onion, and spicy Italian sausage are the most popular pizzas. The restaurants do not charge for double helpings of toppings, and Larkin says only 1% of customers order extra toppings. Breadeaux also offers salads, sandwiches and both top cola brands. Pizza accounts for 94% of sales.

About one-third of the restaurants have seats and all offer takeout, but none deliver pizza. "We have no interest in delivery and neither do our customers," Larkin says.

Larkin wants to expand Breadeaux nationally, but first will concentrate on

(Above) Breadeaux Pisa, St. Joseph, Mo., sells two-for-one pizzas built on French bread crusts. Jim Larkin, a former funeral director and seven-unit Casey's General Store franchisee, opened the first Breadeaux in 1985. (R.) The American Cafe, W.R. Grace's 13-unit full-service chain, intends to grow through franchising. Takeout accounts for 22% of sales in the 11 restaurants that offer food to go.

the upper Midwest. The franchise fee is $15,000, plus 5% royalties and a 3% monthly contribution to a regional advertising fund.

CAFFE CLASSICO

1988 Sales: $5MM **1988 Units: 24**

Since the beginning of the year, Caffe Classico has grown by six more units and another 10 are in various stages of development, says John Heffernan, owner of the San Francisco-based company. By the end of 1989, he expects to have 50 units open, including three in Orlando, Fla., and six in New York City. In addition, Heffernan has signed a letter of intent with a potential Japanese franchisee.

Heffernan bought the original Caffe Classico, a 400-square-foot shop that still sells only gelato, from its owners 10 years ago. By 1987, he had sold 20 franchises, but stopped because of market pressures. "All the single-concept companies were having difficulty," he recalls. Heffernan re-formed the concept to include sandwiches, salads and baked goods. Today, just three Caffe Classicos sell only gelato.

Ice cream, however, still accounts for one-third of total sales at the new full-menu restaurants. The best-selling flavor, Heffernan says, is *coppa mista*, a swirl of dark chocolate, pistachio, almond and vanilla . All gelato is priced at $1.25 for a small serving, $2.25 for medium and $2.75 for large.

The franchise fee for a Caffe Classico store is $25,000. The company charges no royalty. The royalty, Heffernan says, comes from the markup the company places on the gelato, which is made at a central commissary in San Francisco and shipped to the franchisees.

CASEY'S GENERAL STORE

1988 Sales: $50MM **1988 Units: 654**

Casey's General Store has proven to have just about the strongest commitment to foodservice in the convenience store segment today. And that commitment will only get stronger in the future, says President Donald Lamberti.

Prepared foods now account for 22% of the Des Moines, Iowa-based chain's inside sales (sales excluding gasoline), or about $50 million systemwide. Casey's expects that proportion to escalate to 30% of inside sales within five years, partly from unit expansion—the company expects to continue its

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GROWTH COMPANIES

Gary Bonanno works hard to sell Drusilla: He likes to throw New Orleans street parties in targeted shopping centers.

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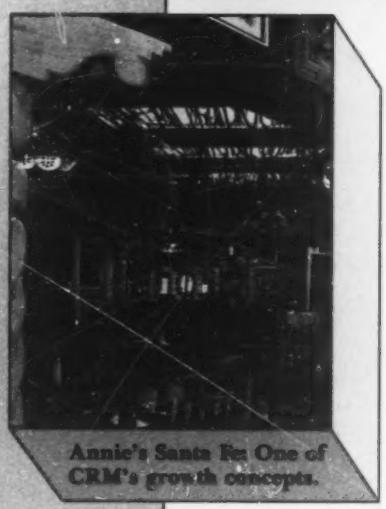
growth rate of 8 to 10% a year—and partly from introductions of its food-service programs into stores that still do not have on-site preparation.

Casey's is especially strong in four areas of prepared foods: pizza, doughnuts sandwiches and chicken. About 600 Casey's stores now make their own pies from scratch, including mixing the dough. Pizza accounts for about half the chain's total prepared food sales.

Casey's also began testing a frozen chicken product that is fried in-store. Reaction was favorable enough to allow a rollout into more than 200 of the stores by the middle of last summer, with plans to introduce chicken to the rest at a rate of about 15 stores a month. *(Note: Sales figure is for prepared food only)*

In 1979 John Heffernan bought Caffe Classico, then a single unit. He aims for 50 ice cream stores by the end of the year.



Annie's Santa Fe One of CRM's growth concepts.

CREATIVE RESTAURANT MANAGEMENT

1988 Sales: $54MM **1988 Units: 21**

This spring, Shawnee Mission, Kan.-based Creative Restaurant Management opened its first franchised restaurant, a Fred P. Ott's Bar and Grill in Overland Park, Kan. The company operates Fred P. Ott's, Annie's Sante Fe, Fedora Cafe and H.I. Ribster's restaurants (20 restaurants altogether), plus Hogate's in Washington, D.C.

Avery Murray, vice president of franchising, says the company has "a couple of options" scoped out for this year and beyond. Best-case scenario: Six more restaurants—three Fred P. Ott's, two Ribster's and one Annie's—will be open by the end of the year.

Beyond that, CRM's plans depend on how many good franchisees the company can find. Territory to cover runs from Kansas City to St. Louis, plus Missouri's Lake of the Ozarks. Omaha, Neb., and Des Moines, Iowa, also are target markets. The franchise fee for each concept is $30,000, plus 5% royalties and .5% to 1% contribution to an advertising fund.

Creative Restaurant Management was formed after Restaurant Enterprises Group, Irvine, Calif., sold Kansas City, Mo.-based Gilbert/Robinson earlier this year. The biggest chunk of G/R, Houlihan's, went to The Riese Organization, New York. The smaller, more upscale concepts went to former G/R President Richard May. May set up shop as Creative Restaurant Management, and signed on G/R Founder Paul Robinson and Robinson's wife, Edna, as consultants.

DRUSILLA SEAFOOD CAFES

1988 Sales: $8MM **1988 Units: 9**

Gary Bonanno, president of Drusilla Seafood Cafes, has lofty plans for his 10-year-old Cajun concept: His business plan calls for 250 restaurants to be up and running by 1995. Because of good response to the chain, that goal is 50 stores greater than he originally planned: "We opened a restaurant in Kansas City [Mo.], and just got a ton of inquiries," he says. Short-term plans call for 16 restaurants (three company owned, 13 franchised) to be open by the end of this year, and another 50, five to 10 of which will be company-owned, to open each year after.

The first Drusilla was not a restaurant, but a small seafood market in Baton Rouge, La. Later, Bonanno and his wife, Edna, opened two full-service restaurants. By 1987, they had eight restaurants open.

Bonanno says the chain's biggest problem is convincing mall directors outside Louisiana to take a chance on the chain. In order to build a Drusilla Cafe in Little Rock, Ark., Bonanno threw a New Orleans street party in the mall, complete with food and a crawfish race.

The best selling item is the $5.95 seafood feast—crab fingers, catfish, shrimp, Cajun-spiced fries and hush puppies. Checks average $4.40 at lunch and dinner. Drusilla's franchise fee is $35,000, and start-up costs range from $123,000 to $190,000. The royalty fee is 5%, plus a 3% contribution to a national advertising budget.

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For information circle 100→

GROWTH COMPANIES

continued from page 54

Eager to grow, Eateries and others are looking for small chains to acquire, then convert to their full-service concepts.

Drusilla Seafood shoots for 250 units by 1995.

EATERIES INC.

1988 Sales: $14MM **1988 Units: 18**

The most remarkable thing about Eateries Inc. is that its chain of Garfield's Restaurant & Pubs has managed to grow and thrive in Oil Patch states. Founder Vincent Orza says he has never closed a restaurant, and that newer Garfield's average $1.2 million in annual sales. Unit growth continues to be steady: Orza says two restaurants opened last year and two will open this year. The four scheduled to open in 1990 will be located in shopping malls.

Orza opened the first Garfield's in 1984, after three years at the now-defunct Kelly-Johnston Enterprises. Eateries now ranks 19th on *Inc.* magazine's list of the 100 fastest-growing small public companies in the country. Why so successful where others have failed? "We find other people's mistakes," says Orza, adding that almost all the Garfield's units are conversions. Still, the restaurants feel pressure: "Customers that used to come in once a week now come in once a month," Orza says.

Orza's plans for Eateries, however, extend beyond Garfield's. He is actively seeking a company to acquire. "It's easier to grow by acquisition than to open two restaurants a year," he says. (An agreement to buy a 36-unit Mazzio's Pizza franchisee fell through earlier this year.)

The Garfield's franchise fee ranges from $15,000 to $35,000, depending on the size of the market. Royalties are 3% up to $1.4 million in annual sales and 4% after that.

The new-look Garfield's will be located in regional shopping malls. Older units are undergoing facelifts.

ED DEBEVIC'S

1988 Sales: $18MM **1988 Units: 6**

One of the true restaurant success stories of the last five years, Chicago-based Ed Debevic's Short Order/Deluxe was an instant hit from the moment it opened in 1984. Restaurateur Richard Melman had tapped into two trends that were just then beginning to build—comfort food and diners.

Ed's quickly grew into a chain of six outlets: five domestic (Chicago, Los Angeles and Phoenix, Ariz.) and one subfranchisee in Japan. The geographic spread was the result of a financial one. As usual, Melman's Lettuce Entertain You ran Ed's as a joint venture. This time, Los Angeles-based Collins Foods International held a majority interest of 60%, and Big 4 Restaurants of Phoenix controlled 8%. Lettuce held the remainder. But shortly after the team-up, Collins decided to focus resources on its Sizzler chain and KFC franchises.

But the sale of the chain to Dennis Riese should re-energize its growth picture. Riese New York, a franchisee of TGI Friday's, Chili's, Chi-Chi's, Houlihan's and Beefsteak Charlie's, has announced intentions to open both company-owned and franchised units. According to Gerard Centioli, CEO and president of Ed Debevic's, the chain will open two or three company units a year for the next few years. "These will all be in urban locations," he says. "We're looking for high-density traffic at these units." The first new Ed's will open in New York City by the fall of 1990. Beyond that, Centioli says, operators in both Florida and Texas already have expressed interest in becoming franchisees.

EDWARDO'S NATURAL PIZZA

1988 Sales: $15MM **1988 Units: 18**

Edwardo's Natural Pizza, like Gino's, Giordano's and Pizzeria Uno, has been a Chicago institution for years. Under founder Ed Jacobson, the chain grew to 18 units and expanded to Milwaukee and Madison, Wis.

Last November, Jacobson sold the Hillside, Ill.-based company to two investors, Ivan and Jeffrey Himmel, and the new owners plan to expand the chain even further. According to Russell Lubliner, vice president of marketing, the company has targeted nine states for expansion: Illinois, Indiana, Ohio, Michigan, Iowa, Minnesota,

continued on page 66

GROWTH COMPANIES

Chili's hopes Grady's will become the concept of the 1990s, appealing to Chili's kind of patrons who want an upscale setting.

Edwardo's plans to franchise in nine states.

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Wisconsin, Kentucky and Missouri. Plans call for 15 more company restaurants to open each year until 1995.

Lubliner says the company aims to dominate the upscale pizza niche. "We want to be considered fine-dining pizza," he explains. Edwardo's closest competitor, he opines, is Boston-based Uno Corp., which also is modeled after a Chicago pizzeria.

Edwardo's will carry the weight of expanding until it can find several multiunit franchisees. According to Lubliner, the chain has rejected 99% of applicants because they do not have enough background in restaurant operations. The Edwardo's franchise fee is $25,000, with 5% royalties and a mandatory 3% spending on local advertising.

GRADY'S GOODTIMES

1988 Sales: $18MM **1988 Units: 6**

Knoxville, Tenn.-based Grady's Goodtimes has been doing things carefully pretty much since its beginnings in 1982: limiting growth to a 300-mile radius of its home base, insisting on freshness and from-scratch cooking, targeting baby boomers and communicating a strong sense of mission to salaried and hourly employees.

If that sounds just like Chili's, it is—now. The Dallas-based casual dining chain bought Grady's last February, impressed with the fit of the two companies' menus and visions.

Chili's relaxed atmosphere and hearty menu was the right setting for dining out in the '80s; Brinker & Co. expect Grady's to become the concept of the '90s. "We hope it will appeal to the same customer we serve at Chili's, but in a more formal setting," says Jim Parrish, Chili's chief financial officer.

The menu is also a notch more upmarket than, though not completely unlike, the one at Chili's. Salads are still there, along with burgers, baked potatoes and baby back barbecued ribs. But unlike Chili's, Grady's also serves steaks, prime rib, sole marinara and other substantial fare.

"It's a more upscale experience than Chili's," Parrish says. "Both restaurants appeal to essentially the same customer, but in different moods."

In fact, Chili's is so confident the consumer will appreciate the difference between the two concepts that three of the four new Grady's to open in the next year will be within two blocks of a Chili's. One, in Plantation, Fla., will be right across the street. "The presence of each will help the other," Parrish says. "This is a destination concept." By mid-1991, the company expects to have 16 or 17 Grady's in operation, with much of the growth occurring in Florida and Texas.

Grady's units have a bit more footage than Chili's, more parking (because the customer takes longer at a meal) and about 240 seats to Chili's 200. The average ticket is $9 to $9.50, compared to Chili's $7.30 average.

GREAT STEAK & FRY COMPANY

1988 Sales: $12.8MM **1988 Units: 35**

Nick Lanni, founder of Hamilton, Ohio-based Great Steak & Fry Company, says he is tired of keeping quiet about his seven-year-old business. He hired a public relations firm, stepped up franchising plans (only eight Great Steak restaurants are franchised) and makes it clear that he prefers steady growth over quick franchise sales. "We have never closed a store, and I intend to stay that course," says Lanni. "I am not trying to cover the world."

He *is* trying to cover Ohio: Great Steak's strongest markets are Cincinnati, Cleveland and Dayton. All the Ohio restaurants are located in shopping malls. The highest-volume restaurant is in Washington, D.C.'s Union Station. Last year it racked up about $1 million, compared to the systemwide average of $450,000. If expansion proceeds as planned, 58 Great Steak restaurants will be open by the end of this year, and an additional 15 stores will open each year after that.

Great Steak features Philadelphia cheesesteak sandwiches and hand-cut, skin-on french fries. Checks average $3.80. The franchise fee is $20,000, with a 5% royalty fee.

JOHNNY ROCKETS

1988 Sales: $7MM **1988 Units: 7**

Don't make the mistake of calling Johnny Rockets a diner. "We're a throwback to the old malt shops—the kind I grew up with in the '30s and '40s," says Ronn Teitelbaum, president of the Beverly Hills, Calif.-based chain. "When I think of diners, I think of bad meatloaf."

No meatloaf here. Just burgers in a purposely limited selection: either "The Original" or the "#12", the dif-

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GROWTH COMPANIES

Its owners say Johnny Rockets is no diner: Deluxe hamburgers and hand-cut fries, not meatloaf, headline the menu.

Nick Lanni hopes to open 15 Great Steaks a year.

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ference being shredded or leaf lettuce, chopped or sliced onions, and a slice of Tillamook cheese and some special "red red sauce" on the latter. Both are made from hand-formed patties and cooked to order, and both are seasoned with a blend of 32 spices.

This kind of menu simplicity means that Johnny Rockets is able to sell itself on service as well as nostalgia. The decor might be white tile and black marble, and the tables might have their own jukeboxes, but Teitelbaum is more interested in consistency and attention to detail. With fries, ketchup arrives poured on a separate plate. When a diner orders a malt, the server will lift the top of the straw holder and offer a straw.

A Johnny Rockets license costs $65,000 for the first unit with a 5% royalty, for a total turnkey price of between $375,000 and $575,000. The stores vary widely in size. The chain will open its eighth unit this fall in a Tokyo suburb and Teitelbaum is investigating possibilities in Paris. "I don't know how many Rockets we'll have eventually," he says, "but they'll open at a pace we can feel comfortable with. If we have only 10 after five years, they'll be 10 perfect restaurants."

MILLIE'S COUNTRY KITCHEN

1988 Sales: $19MM **1988 Units: 18**

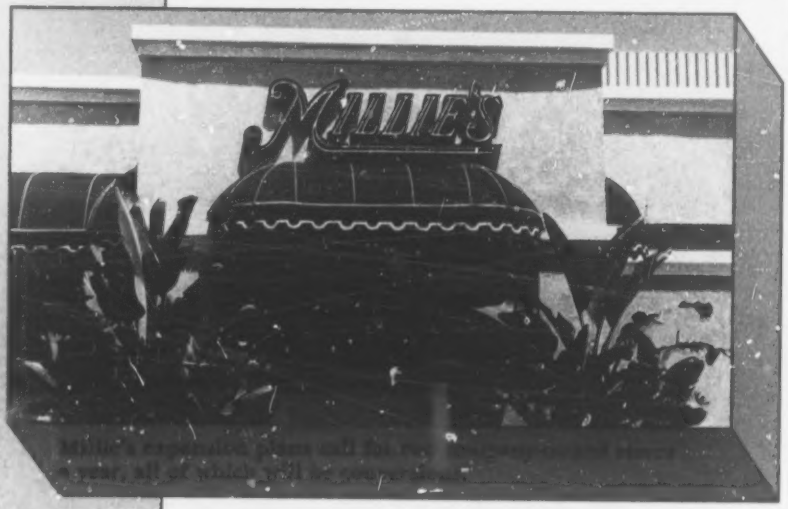
Ruben Villavicencio started Millie's in 1982 after Alphy's, the coffee-shop chain he had been working for, was sold to Denny's. He bought back 16 Alphy's from Denny's and converted them into Millie's, a cut-above coffee shop. He operates Millie's and a three-restaurant Mexican chain called The Whole Enchilada under the banner of R&M Food Services.

He likens Millie's to Bob Evans—a strong breakfast daypart serving home-style entrees such as pot roast, chicken pot pie and meatloaf. Although most customers are older than 45, Millie's doesn't offer a senior-citizen discount. "We are an affordable place any time," Villavicencio says, explaining that full dinners are priced at $5.65. Checks at Millie's average $4.73; the stores gross an average of $1.15 million a year.

He plans to open two restaurants during the next 12 months, and stick to a modest growth pattern of two restaurants a year. All will be company-owned: Villavicencio refuses to franchise. "I don't want to be the biggest chain," he says. "I want to be among the best-managed."

His management tactics include a system that allows teams of restaurant managers to evaluate the other stores in the system once a year. Corporate officers attend the evaluations, but have no input into the final grade.

Millie's expansion will be confined to a 75-mile radius around Brea, Calif., Millie's headquarters. All but two Millie's restaurants are conversions; in California, building to suit is cost-prohibitive, Villavicencio explains.



MRS. POWELL'S CINNAMON ROLLS

1988 Sales: $8MM **1988 Units: 48**

An executive at Seattle-based Cinnabon predicts that only three concepts—Cinnabon, T.J. Cinnamon's and Mrs. Powell's Cinnamon Rolls—are likely to survive an inevitable cinnamon-roll shake out.

Peter Scaccia, new owner of the Idaho Falls, Idaho-born chain, intends to make that prediction come true. He unveiled a new Mrs. Powell's prototype in Boston in June—it features soup and sandwiches as well as a larger seating area—and plans to open five franchised and one company store by the end of the year. About 15 units are planned for 1990, and Scaccia says he wants to open 20 restaurants a year.

Scaccia bought the three-year-old chain from Dick and Cynthia Powell in February and moved headquarters to Franklin, Mass. Scaccia, who owned a pharmaceutical testing company before he bought Mrs. Powell's, says he originally wanted to become a multi-

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GROWTH COMPANIES

Up-and-comers stick with popular menu concepts: Americanized ethnic dishes and old-fashioned entrees, desserts.

Mrs. Powell's now owns and has expanded the menu.

Ottomanelli's plans on 40 Italian cafes by 1990.

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concept franchisee, but found Mrs. Powell's instead.

The franchise fee for a Mrs. Powell's store is $25,000, plus 5% royalties and 2% mandatory advertising budget.

OLGA'S KITCHENS

1988 Sales: $41.7MM **1988 Units: 51**

Olga's Kitchens is not really anxious to draw franchisees. "We're primarily in the restaurant business, not franchise sales," says Michael Jordan, president of the Troy, Mich.-based sandwich chain. "We've been franchising for over four years now, and the only ones we've sold are to people who came to us." Twelve of the company's current stores are run by franchisees.

That won't change much. Though Olga's expects to open 10 to 12 units a year for the next two years, Jordan says the number of franchised stores—sold for a $25,000 license and 5% royalties—will only double. "We want to keep a company-to-franchise ratio of two to one," he says. "We're careful only to franchise in locations that work."

Within those states, Olga's is located mostly in shopping malls, and mostly as in-line units. The chain does offer the downsized Olga's Express for food courts, but Jordan says high court fees will restrict growth in this format. Mall locations will probably continue, however, since they virtually guarantee that Olga's is the only sandwich option available to customers.

Olga's menu positions the chain as more than fast food. Customers can order from 16 types of sandwiches (or "Olgas") made on rolls cooked to order. The dough for the rolls is manufactured, stamped and shipped frozen from a central commissary. It thaws for 48 hours in the store, proofs, and is held for baking. It can be finished in two minutes, once the customer has placed the order.

OTTOMANELLI'S CAFE

1988 Sales: $10.5MM **1988 Units: 14**

Ottomanelli's Cafe is a home-grown success story from the streets of New York. In 1900, the grandfather of the present owners, Nick and Joe Ottomanelli, opened a wholesale meat business in Manhattan that begat a butcher shop, which in turn gave birth to Ottomanelli's Steakhouse on the Upper East Side in 1982. When the restaurant's weekly pasta night began packing in customers, the brothers revamped their concept into a mid-priced cafe offering burgers, pasta and pizza.

They now franchise eight of their 16 current units, in a manner unique to a family business. For a $19,500 license fee, 3.5% in royalties and 1% for advertising, the Ottomanelli company will actually run a franchisee's store for the first month or so to get it up and running. Meanwhile, franchisees put in long days at a company store, where they learn the Ottomanelli systems.

The menu is "fast food for grown-ups," priced somewhere between midscale and fast food, says Nick Ottomanelli. Seven types of burgers comprise 60% of sales.

The chain is still centered in Manhattan, but it has begun moving into suburban free-standing and strip mall sites with great success. Unit volumes average about $500,000 in the smaller Manhattan stores but reach $1 million in the large 200-seat suburban units. Ottomanelli expects to open another nine stores by year's end and to have 40 operating by December 1990.

PARGO'S

1988 Sales: $15MM **1988 Units: 6**

Pargo's, the six-unit casual dinner-house chain owned by Shoney's Inc., will grow with the rest of Shoney's concepts under the Nashville-based company's aggressive franchising push. This year, the company will open one restaurant in Charlottesville, Va., and the first franchised Pargo's will open in Roanoke, Va., according to Shoney's Chairman Mitchell Boyd.

Two Pargo's will open in 1990, and Boyd says the chain will grow at that rate for the foreseeable future. "We will have to have a base of 15 or 16 restaurants before we consider opening three a year," he explains.

Boyd opened the first Pargo's in 1982, while he was a Shoney's Big Boy franchisee in Virginia. The restaurant was meant to fill a niche somewhere between fern bars and Big Boy, he explains. "I think we hit a niche that will grow quite well over the next 20 years," Boyd says.

The Western-looking restaurant, named after Boyd's twins, Par and Margo, appeals to diners in their late 30s and early 40s, Boyd says. The menu lists only 45 items, most of which are snacks and finger foods. Best-sellers include nachos and prime rib.

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GROWTH COMPANIES

Former sweets chains offer sandwiches and salads in an effort to boost checks and attract patrons who want a full meal.

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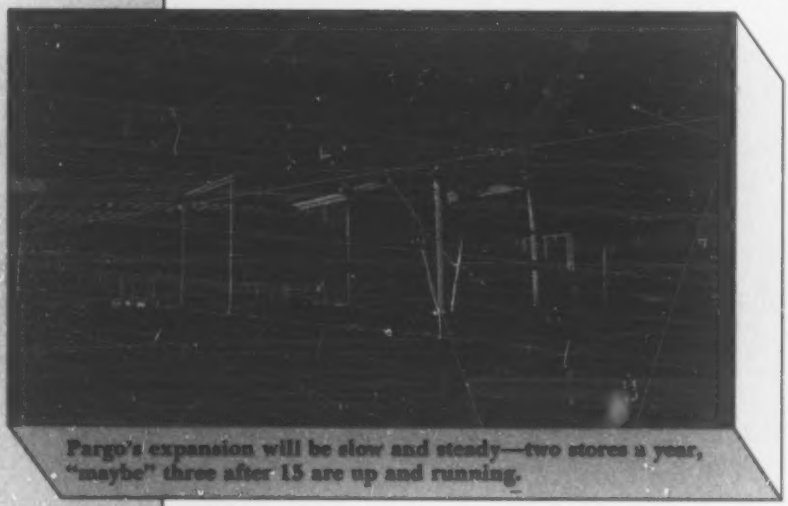
Checks per person average $13, including alcohol. Alcohol accounts for 30% of sales.

PERKITS YOGURT

1988 Sales: $12MM **1988 Units: 60**

How far can a brother-and-sister team go with a simple frozen-yogurt shop in Cleveland, Tenn.? For Perk Evans and his sister Kit Henderson, the answer was onward to 59 more stores in the space of four years.

The key to this success is a particularly well-thought-out system of national franchising. After opening two more shops on their own in Chattanooga, Tenn., and Atlanta, Perk and Kit tired of driving from store to store and began developing a franchise plan. The first operators licensed were small, mostly mom-and-pop owners of single stores and mostly in the Southeast.



Pargo's expansion will be slow and steady—two stores a year, "maybe" three after 15 are up and running.

Perkits shoots for 155 stores by the end of '90.

But last year, the company divided the United States into markets of about 2 million customers each and began selling off area-development rights. They have found buyers for 20 of these territories so far; in each, a major developer agrees to sell at least 50 single-unit subfranchises. Perkits gets assured market penetration, and in return, the developers get a generous chunk of Perkits' front-end earnings, license fees and royalties. (Franchises cost $20,000 plus 4% royalties, of which 2% goes to the area developers.)

The chain has outlets in 15 states today, with another 75 stores set to open by the end of 1990, and is considering making a public stock offering.

SILVER SPOON

1988 Sales: $9MM **1988 Units: 6**

Morrison Inc.'s Specialty Restaurant Division already has two solid growth winners in Ruby Tuesday and its L&N Seafood Grill. With Silver Spoon, the Mobile, Ala.-based conglomerate is trying to discover a formula that can take its foodservice far into the '90s: a casual, more adult-oriented restaurant chain with a bistro feel, driven almost entirely by the quality of its food.

And after five years of testing and fine-tuning, that is what Silver Spoon has become. When the concept first began in 1984, both the menu and the retail offerings were pitched to the very high end of the casual dining market, says Frank Dever, senior vice president of business development for the Specialty Restaurant Division. Both the retail and takeout sides of the business have since been drastically cut back, though all menu items can still be done for takeout on request.

The chain's commitment to food is apparent in its wide menu, which ranges from two kinds of quiche to six different grilled chicken entrees. Fresh grilled or blackened fish of the day is always available in two-portion sizes, at lunch ($7.99) and dinner ($11.95). Customers also can order classic American dishes like chicken pot pie ($5.95) and barbecued ribs ($11.95 for full slab). Average check is $8.65; about 60% of the unit's traffic comes during the lunch hours. Average unit volume at Silver Spoon is $1.4 million.

The chain now is in four Southeastern markets—Birmingham, Ala.; Knoxville, Tenn.; Jacksonville, Fla.; and three stores in the Atlanta metro area. A seventh will open in Memphis, Tenn., this fall, the first of what Dever says will be two or three openings in this fiscal year.

SKYLINE CHILI

1988 Sales: $14.4MM **1988 Units: 82**

Ohio-based Skyline knows who its customers are. "Around Cincinnati, it's anyone who walks, breathes or eats," says Lawrence Blundred, marketing vice president for the chili chain based in that city.

The problem has been building the same kind of customer recognition away from the Cincinnati skyline that gave the chain its name in 1949. Not only is the name unfamiliar; in most places, so is the chili. Skyline serves its

GROWTH COMPANIES

To accommodate the growing family market, growth chains offer eclectic menus and work to keep menu prices low.

Silver Spoon Cafe: One of Skyline's concepts.

chili plain or with beans, but by far the most popular way is as a topping on either hot dogs or spaghetti. Customers order the chili "Three-Way" with cheese or "Four-Way" with cheese and onions. At $2.45, Five-Way Chili (over spaghetti with cheese, beans and onions) is the most expensive dish.

Quality control also has served to slow growth far from home. To keep the taste consistent, Skyline makes up all its chili in 45,000-pound weekly batches, then freezes it, cubes it and ships it off to the 30 company-owned stores and the franchisees.

"Keep it simple," Blundred says of the menu; but the service is full. Yet even with table service, the chain can still get its time-pressed diners served and out inside of 10 minutes if necessary.

After a period of over-optimistic growth into new markets, Skyline recently has been forced to rethink its growth strategy and actually has decided to regroup and close out a half-dozen underperforming units. This will pave the way for 10 new units and a deeper penetration of those markets where Skyline already is known—particularly Dayton and Columbus, Ohio, and Indianapolis.

SOBIK'S SUBS

1988 Sales: $6.5MM **1988 Units: 40**

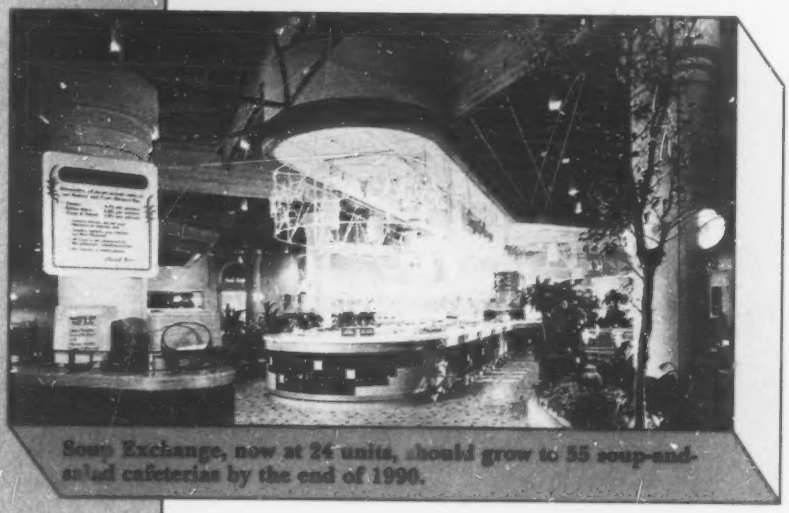
Few restaurant markets have become as competitive as quickly as Orlando, Fla., and few fast-food categories as tight as sub sandwiches. But 20-year-old Sobik's is involved in both and doing very well in its market, thank you. The Longwood, Fla.-based chain is giving major players such as Subway and Blimpie a run for their customers' money.

Sobik's has six company stores and 33 franchised units in the seven-county area of central Florida surrounding Orlando. Average unit volume for the urban stores is $200,000. And George Salmons, Sobik's chief operating officer, expects to continue that success with a projected growth of 15 to 20 more stores by year's end and a target of 65 units by July 1990.

Site selection has created an interesting competitive situation between the two chains. Sobik's locations tend to be urban, while Subway has opted for real estate in the Orlando suburbs. "As a result we catch more of the lunch business while they're dead," Salmons says. "But at 10 p.m., they're packed and we're empty."

Though Sobik's stores have 30 to 50 seats, takeout accounts for 60% of the business. Four units have drive-thru windows. Three Orlando stores do walking delivery to high-rises, but Salmons says this undercuts the main virtue of the counter-prep system: the customer's ability to direct the making of his own sandwich.

Like most sub chains, Sobik's franchise costs are low: $15,000 for a license, royalties and ad fees of 4% apiece, and a turnkey cost of $50,000 to $80,000.



Soup Exchange, now at 24 units, should grow to 55 soup-and-salad cafeterias by the end of 1990.

SOUP EXCHANGE

1988 Sales: $27MM **1988 Units: 24**

Don Boensel first met the founders of Soup Exchange as a customer who came in off the street to their original store in San Diego. That was in 1981, when Founders Scott King and John Turnbull were selling mainly soup and baked goods.

By 1983, Boensel had convinced them to move to a more visible site and open a larger restaurant that could accommodate lots of prep and serving areas without sacrificing seating. The new store wound up doing three times the previous one's volume.

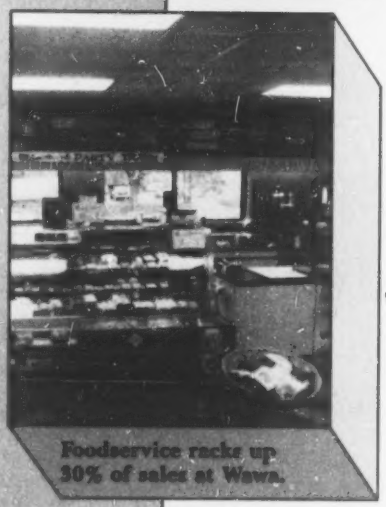
The chain's all-you-can-eat buffets are built around a salad bar of more than 60 items and six homemade soups from a menu of 40. Soup or salad is $4.95; soup *and* salad costs $1 more. The average lunch check comes to $5.75; at dinner, $6.25.

Soup Exchange plans to reach 30

GROWTH COMPANIES

Expansion rates remain reasonable: Most companies plan unit growth of no more than 20% during the next 12 months.

Warburton's British bakery makes good outside.



Foodservice racks up 30% of sales at Wawa.

units by the end of '89 and 55 a year later, keeping 20% to 25% of its stores company-owned, especially in key markets such as San Francisco and Texas, where expansion prospects are good and a franchise support system will be needed. The company sells only multiple franchises, charging $40,000 per unit (up front for the first unit, upon execution of contract for the later ones.) Royalties start at 5% of sales and 1% for advertising development plus 3% for local ads.

WARBURTON'S

1988 Sales: $12MM **1988 Units: 21**

Talk about fast-food tradition: Warburton's has more than a century's worth. Thomas Warburton opened his bakery in England 113 years ago, and that one store grew in time into a 120-unit British baking conglomerate. One hundred years later, a descendant came across the pond to study business at Harvard and wound up opening a branch store in Boston. That store has now grown into 21 units, all company-owned, in Boston, Pittsburgh and Chicago, where the company now is based.

The stores sell a wide menu of muffins, scones, cookies and sandwiches, and aim for a high volume of repeat business by balancing food quality and menu variety. Warburton's can make 20 different types of muffins, for example; but each store bakes only eight or nine types on a given day to give the back of the house time to do them right and to sell out the day's supply. But the menu changes daily, as available flavors are rotated to keep regular morning customers interested.

At lunch, Warburton's offers what it calls a "Savoury" —a puff pastry filled with meat and potato, ham and cheese, chicken and vegetables, or spinach and cheese. These sell for $1.50 to $1.90 and are the most popular menu item with both takeout and eat-in lunchtime customers. Warburton's also emphasizes its six freshly made sandwiches.

All baking is done on the premises, but to ensure consistent quality, doughs and batters are mixed in the company's Chicago supply facility and shipped frozen. This frees up store footage for display counters and seating. When the original Boston store found its lunch business limited by only 12 seats, Warburton's made the decision to put more tables into its units. The newest store in Chicago's Loop can seat 140, and future units—the company hopes to build four or five more by the end of '89—might go as high as 250 seats. The average breakfast check is $1.25; lunchtime tickets are around $4.20 per customer. Average unit volume is $585,000.

WAWA

1988 Sales: $60MM **1988 Units: 430**

Wawa Inc. is a rarity. Instead of building sales with photocopies, fax machines, money orders or even gas—only eight of its units have pumps—the convenience store chain devotes its major marketing efforts to foodservice: fresh produce, an extensive deli case used mostly for making sandwiches, and from-scratch soups, stews, chilis and salads.

The efforts are paying off. Wawa now is opening stores (all company-owned) at the rate of one a week and expects to keep up that pace for the near future. Average unit volumes for all products have reached $1.1 million; deli and foodservice, including coffee, tea and postmix drinks, account for about 27% of that figure. The figure given for 1988 sales (above) is an estimate excluding beverages, retail meats and produce. Including those items, Wawa sold $120 million in prepared food in 1988, and anticipates '89 sales of $156 million.

Hoagies are the chain's sandwich staple, but counter staff will make sandwiches with anything in the deli case. That works out to about a thousand variations, according to Marketing Director Lee Smith. The refrigerated case holds packaged salads made on-site, melon halves and the "Crunch Bunch," containers of cut vegetables with ranch dressing for dipping.

To fight the stereotype of c-store food, the chain is meticulous about service standards. Stores throw away coffee that sits in the brewer for more than 20 minutes, and staff are instructed to throw away the grounds as soon as brewing has stopped, to keep them from dripping acid into the pot.

The chain soon will begin testing its own line of fresh-chilled dinner entrees. Items such as lasagna Bolognese and chicken Mornay will provide customers with "higher quality than fast food and more convenience than supermarkets," Smith says. *(Note: Sales figure is for prepared foods only)*

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GROWTH COMPANIES

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Equipped with new management, new menus and fresh looks, established companies take another shot at expansion.

Schlotzsky's aims at Texas and the Midwest.

ARCTIC CIRCLE

1988 Sales: $39MM **1988 Units: 100**

Arctic Circle President Gary Roberts says he and the chain's new owners have every intention of revitalizing the 39-year-old burger chain. He and three other managers purchased the Midvale, Utah-based company via leveraged buyout from Quaker State in June 1988; the team is ahead of the payment schedule on the note, Roberts says.

Five Arctic Circle are under construction, one in Idaho Falls, Idaho; two in Ogden, Utah; and two in Salt Lake City. Roberts expects eight franchised stores to open next year.

The new stores have a new look featuring a 27-foot beamed ceiling, giant neon logo, fewer seats and a drive-thru window. The menu has been dressed up, too, with the addition of a grilled chicken sandwich, turkey and taco pita sandwiches and a chicken fajita salad. Checks average $3.10; average unit volume is $400,000.

An Arctic Circle franchise fee is $20,000, with 3% royalties and 4% contribution to an advertising budget. Start-up costs run from $200,000 to $300,000.

BRIDGEMAN'S

1988 Sales: $15MM **1988 Units: 24**

St. Louis Park, Minn.-based Bridgeman's began in 1883 as a dairy company and evolved into an ice cream parlor by 1936, growing to six units in the first year. When Land O' Lakes bought the chain 30 years later, it had grown to encompass 10 full-service restaurants. The new owners took it further still, expanding to 53 units by the early '80s. A high proportion of these, however, proved to be serious underperformers. The chain was sold again in 1983, and filed for Chapter 11 protection in 1986.

Now, Bridgeman's has been out of bankruptcy protection for two years and is ready to grow again—but cautiously, in a new slimmed-down version. Weak franchises have been sold, along with all but seven company-owned stores in the Twin Cities home territory, says Chief Executive Doug Coy. This cutback has left Bridgeman's with 24 stores it feels are solidly established in their markets. The company expects to open seven new stores by the end of 1989 and anticipates that future growth will be 95% franchised.

Bridgeman's expansion is taking place on several tracks. The standard full-service restaurants still will serve breakfast, burgers, sandwiches and home-style foods along with the trademark ice cream and yogurt specialties. A new Dip Shoppe format will offer a limited menu of ice cream, yogurt and snacks from a location with limited seating.

Bridgeman's intends to capitalize on its nostaglia value in its long-time Minnesota and Wisconsin markets, where most of the expansion will occur for the next year or two. But Coy says the real challenge will be tailoring a plan to market Bridgeman's in new territories.

Bridgeman's "Memories" campaign capitalizes on the 106-year history in Minnesota and Wisconsin.

NATHAN'S FAMOUS HOT DOGS

1988 Sales: $35MM **1988 Units: 39**

Look for Nathan's Famous Hot Dogs to shift national expansion into overdrive with a planned 35 new units by the summer of 1990. Last March, Benson/Landsberg Associates bought out the majority interest of Richard and Steven Buckley in Westbury, N.Y.-based Nathan's, largely on the strength of the 73-year-old company's potential to grab the No. 1 spot in hot dogs—a menu segment without a clear-cut national market leader.

The Buckleys bought the chain from the founding Handwerker family in 1987 and designed a national franchise system that already was producing strong results when they sold out: The Riese Organization has agreed to develop 12 new stores in Manhattan, and Marriott Corp. will put downsized Nathan's units into its Travel Plazas.

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GROWTH COMPANIES

SEVEN FROM '79

Here's how several companies featured in 1979 have fared during the past 10 years:

CREATIVE GOURMETS INC.
Charlestown, Mass.
1978 Sales: $4MM
1988 Sales: $35MM

GRAND AMERICAN FARE
Santa Monica, Calif.
1978 Sales: $12.5MM
1988 Sales: $35MM

LEGAL SEA FOODS INC.
Newton, Mass.
1978 Sales: $8MM
1988 Sales: $52MM

THE LEVY ORGANIZATION
Chicago
1978 Sales: $7MM
1988 Sales: $62.5MM

OLD SPAGHETTI FACTORY
Portland, Ore.
1978 Sales: $15MM
1988 Sales: $42.6MM

TONY ROMA'S
Dallas
1978 Sales: $7.5MM
1988 Sales: $171.2MM*

VIE DE FRANCE
McLean, Va.
1978 Sales: $2.5MM
1988 Sales: $45MM**

* R&I estimate; ** company estimate

Nathan's franchise push is working: Riese will open 12 units, Marriott will make room for hot dog stands in Travel Plazas.

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Under new Chief Operating Officer Stuart Benson, the chain will widen its growth efforts to take in the entire East Coast, concentrating on areas with large numbers of transplanted New Yorkers to capitalize on Nathan's high brand recognition. Nathan's expects to add both franchised units and company stores over the next year, including the first two or three outlets in a new five-unit franchise deal covering Las Vegas.

The flexibility of Nathan's concept will drive this growth, says Carl Paley, franchise development vice president. A set of seven new store prototypes will adapt to the needs of different locations, from a 650-square-foot food court outlet to a free-standing building with drive-thru window suited to suburban locations.

SCHLOTZSKY'S

1988 Sales: $52MM **1988 Units: 238**

Schlotzsky's, the 18-year-old, Austin, Texas-based sandwich chain, has signed one big franchise deal—30 stores will open during the next five years in Michigan—and a handful of five-store agreements that cover Kansas City, Mo.; Greenville, S.C.; Naples, Fla.; and Reno, Nev. Expansion plans call for 20 units, a mix of franchised and company-owned stores, to open by December. The franchise fee is $15,000 for the first store and $10,000 for the second, plus 4% royalties and 1% contribution to an ad budget.

Schlotzsky's biggest expansion efforts will be in the Southeast, Texas and the Midwest. Houston is reserved for company stores, with 15 scheduled to open by the end of this year. The company is investigating non-traditional sites, such as colleges, medical centers and airports, according to Kelly Arnold, director of franchising.

Schlotzsky's also hopes to make a few menu changes. Frozen yogurt has been in test in San Antonio, Texas, for a year, and accounts for about 7% of sales. The chain is devising a baked-goods takeout program to make further use of the ovens in which Schlotzsky's signature round bread is baked. In addition, the chain hopes to lower food costs a point or two to 23.5% of sales. Checks at Schlotzsky's average $2.10 and unit volumes, $280,000 a year.

TRADITIONS

1988 Sales: N/A **1988 Units: 14**

Traditions, Dayton, Ohio, is owned by Jerry Office, who spent 18 years at the helm of Ponderosa. A year after leaving Ponderosa in 1987, Office bought Dayton, Ohio-based Empire, a 20-year-old family-dining chain. He polled customers to find a new name, made a few adjustments in the menu and decor, and thus created Traditions. These days, Jerry Office Inc. comprises Traditions, a single concept called Grandma's, and a barbecue restaurant, Hickory Hut.

Traditions is the company's growth vehicle. Four more are expected to open by the end of this year, and another 10 are slated to open in 1990. All will be company owned, although the company plans to franchise sometime in the future, according to Jane Gerbus, director of marketing. Long-term plans call for 75 units, nearly all of which will be in Ohio, to open by 1995. Traditions targets small towns without a good choice of three-meal restaurants, Gerbus says.

The restaurants (formally called Traditions: A Family Restaurant), feature home-style food. Dinner is the chain's most lucrative daypart. Best-sellers include chicken stir-fry ($5.75); beef tips ($5.29) and hand-battered onion rings ($1.39). (The company would not release check averages, unit volumes or 1988 sales.) Traditions offers a weekend breakfast buffet and a soup-and-salad bar, as well as catering and banquet services. Six stores have take-out bakeries, which do "very well," according to Gerbus. ***—R&I***

ACTION EXPRESS

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Mark A. Strauss, National Sales Director. **Midwest:** Rose Deneen, National Sales Coordinator; Candice J. Hammett, Regional Manager; John W. Maisel, Regional Manager; Marjorie S. Maca, District Manager; Susan Kallas, Sales Services Manager; Patricia McGowan, Recruitment/Classified Advertising Manager, Cahners Plaza, 1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5060. Phone: (312) 635-8800. **East Coast:** Robert Fisk, Regional Manager; William Lazar, Regional Manager, 8 Stamford Forum, P.O. Box 10277, Stamford, CT 06904-2277. Phone: (203) 328-2547. Michael Cardello, Regional Manager and National Sales Manager/Beverage Alcohol, 249 W. 17th St., New York, NY, 10011-5301. Phone: (212) 463-6480. **Central Area:** Jerry Stiegler, Regional Manager, 1621 Euclid Ave., Cleveland, OH 44115-2186. Phone: (216) 696-1800. **Southeast:** Thomas McElhinny, Regional Manager, Suite 395, 6520 Powers Ferry Rd., Atlanta, GA 30339-2911. Phone: (404) 955-6500. **West Coast:** John Barkan, Regional Manager, Room 1007, 582 Market St., San Francisco, CA 94104-5311. Phone (415) 981-2594. Rebecca Roberts, Regional Manager, 18818 Teller Ave., #170, Irvine, CA 92715-1679. Phone: (714) 851-9422. **Southwest:** Thomas McElhinny, Regional Manager, 12127 Carriage Hill Dr., Houston, TX 77077-2508. Phone: (713) 497-1095. Michael Cardello, Regional Manager, Suite 515, 13740 Midway Road, Dallas, TX 75244-4314. Phone: (214) 980-0318. **Japan:** Kaoru Hara, Dynaco International Inc., Suite 1003—Sun-Palace Shinjuku, 8-12-1 Nishishinjuku Shinjuku-ku, Tokyo 160, Japan. Phone: (03) 366-8301.

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